

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

**Release Number:** 201515039  
**Release Date:** 4/10/2015  
**Date:** January 15, 2015

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

x = dollar amount 1  
y = dollar amount 2

**UIL:**

4945.04-04

Dear \_\_\_\_\_ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

**Description of your request**

You will provide educational grants in the form of scholarships. The purpose of your scholarship program is to encourage high school graduates to pursue higher education and to offset school supplies and tuition fees. Fifteen to twenty grants will be made annually. The maximum amount of any one scholarship grant will be between x and y. You will publicize your scholarship program through high school newsletters and publications for applications. You expect up to 3500 eligible students in two local counties will be notified about applying.

Potential recipients will have to complete a scholarship application form. Selection criteria for eligible applicants will include academic excellence and community service. The specific selection criteria that you will adhere to include: academic excellence (50%), community service and volunteer activities (30%), and financial need basis (20%).

In order to qualify for, obtain or renew a scholarship, recipients must demonstrate academic excellence and community service. In order to supervise the scholarship program, recipients will be required to provide you official transcripts. Grants will be given to the student directly, not to the student's school. In certain cases, if the student fails to adhere to the terms of the award, additional funds for the second semester will not be awarded.

Your scholarship committee will consist of five members. The committee will include two of your directors and three additional members selected from the community by your board of directors.

You will maintain a history of names, addresses, and email addresses of recipients of your scholarship program. You will investigate any possible misuse of funds by the recipient, withhold further funds during the investigation if a misuse of funds is discovered, and seek recovery of misused funds.

You also agree to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

**Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations

Enclosure  
Notice 437  
Redacted letter